

## Message Text

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ACTION EB-08

INFO OCT-01 EUR-12 IO-13 ISO-00 AGRE-00 CEA-01 CIAE-00  
COME-00 DODE-00 FRB-03 H-01 INR-10 INT-05 L-03  
LAB-04 NSAE-00 NSC-05 PA-01 CTME-00 AID-05 SS-15  
STR-07 ITC-01 TRSE-00 ICA-11 SP-02 SOE-02 OMB-01  
DOE-15 /126 W

-----041280 012236Z /12

R 012139Z JUN 78  
FM AMEMBASSY OTTAWA  
TO SECSTATE WASHDC 7581  
INFO USMISSION GENEVA

LIMITED OFFICIAL USE SECTION 01 OF 02 OTTAWA 02769

GENEVA ALSO FOR USMTN

E.O. 11652: N/A  
TAGS: EAGR, ETRD, CA  
SUBJECT: GATT ARTICLE 28 CONSULTATIONS WITH CANADA RE  
FRUITS AND VEGETABLES

REFS: A.STATE 113819; B. OTTAWA 2406; C. STATE 135393

1. SUMMARY. AMBASSADOR DREW ON REFS A AND C TO REITERATE  
U.S. CONCERN OVER PLANNED INCREASES IN CANADIAN TARIFF  
PROTECTION FOR FRUITS AND VEGETABLES TO ITC MINISTER HORNER  
AND OTHERS MAY 30 AND ASKED FOR EXCLUSION OF CERTAIN ITEMS.  
HORNER UNDERSTOOD ADVERSE EFFECT GOC EFFORT TO INCREASE  
PROTECTION COULD HAVE ON LIBERALIZATION OF AGRICULTURAL  
TRADE IN MTN AND THAT IT WOULD ALSO UNDERCUT MOVEMENT  
TOWARD ADDITIONAL NATURAL GAS EXPORTS FROM ALBERTA.  
GOC OFFICIALS NOTED THAT HAVING LAUNCHED EFFORT, AFTER  
YEARS OF STUDY, IT IS DIFFICULT FOR CANADA TO BACK AWAY  
AND PROFESSIONALS IN GOC SEEM TO SEE OPPORTUNITY TO RESTORE  
PROTECTION AT LITTLE COST. HORNER, HOWEVER, PROMISED TO  
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EXAMINE U.S. REQUEST FOR EX-OUTS. END SUMMARY.

2. AMBASSADOR, ACCOMPANIED BY ECON COUNSELOR AND AGATT,  
CALLED ON INDUSTRY, TRADE AND COMMERCE MINISTER HORNER  
MAY 30 TO REITERATE U.S. CONCERN OVER CANADIAN ARTICLE  
XXVIII NOTIFICATION ON MODIFICATION OF FRUIT AND VEGETABLE  
TARIFFS. DRAWING ON REFS A AND C AMBASSADOR MADE FOLLOWING

POINTS:

--PROPOSED MODIFICATION COULD HAVE MAJOR IMPACT ON U.S. AGRICULTURAL EXPORTS TO CANADA, AFFECTING ABOUT ONE-THIRD OF APPROXIMATELY DOLS 1.5 BILLION IN TOTAL EXPORTS;

--U.S. ACKNOWLEDGES THAT CANADA'S NOTIFICATION CONFIRMS WITH GATT AND EXPECTS COMPENSATION IN AGRICULTURAL SECTOR LIMITED OFFICIAL USE  
FOR TARIFF MODIFICATIONS ULTIMATELY MADE;

--BUT SCOPE FOR COMPENSATION APPEARS INADEQUATE, WITH CANADIAN AGRICULTURAL EXPORTS TO U.S. RUNNING AT LESS THAN CDOLS 700 MILLION ANNUALLY;

--OBVIOUSLY, U.S. OFFERS ON AGRICULTURE IN MTN MAY BE AFFECTED BY INCREASED CANADIAN PROTECTION, ESPECIALLY SINCE CANADIAN RESPONSE TO U.S. REQUEST HAS BEEN DISAPPOINTING. IN TURN, THIS COULD IMPACT TRADE LIBERALIZATION SOUGHT BY ALBERTA AS CONDITION FOR ADDITIONAL NATURAL GAS EXPORTS.

--TO AVOID SUCH DOWNWARD SPIRAL, U.S. REQUESTED IN AIDEMEMOIRE OF MAY 9 (REF B) EXCLUSION OF CERTAIN ITEMS FROM CANADIAN LIST. WE HOPE CANADA WILL BE FORTHCOMING ON THIS REQUEST.  
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--MEANWHILE, U.S. IS CONSIDERING GOC PROPOSAL TO HARMONIZE POTATO TARIFFS AT 30 CENTS BUT ALSO IS UNDER PRESSURE TO INCREASE U.S. PROTECTION, E.G., HATHAWAY BILL (COPY OF WHICH PROVIDED HORNER FROM CONGRESSIONAL RECORD).

3. IN REPLY, LATIMER -- INDUSTRY, TRADE AND COMMERCE ASSISTANT DEPUTY MINISTER FOR INTERNATIONAL TRADE RELATIONS -- SAID THERE IS WIDESPREAD EXPECTATION THAT GOVERNMENT, AFTER YEARS OF STUDY, WILL RESTORE MUCH OF ORIGINAL LEVEL OF PROTECTION BY SWITCHING FROM ERODED SPECIFIC DUTIES TO AD VALOREM RATES. IT WOULD BE DIFFICULT FOR GOC NDT TO FOLLOW THROUGH ON TARIFF BOARD RECOMMENDATIONS. LATIMER ALSO SAID GOC IS SEEKING HARMONIZATION OF POTATO DUTIES AS MTN, RATHER THAN ARTICLE XXVIII, MATTER. HORNER CONCLUDED DISCUSSION BY SAYING GOC WOULD CONSIDER U.S. REQUEST FOR EX-OUTS.

4. SUBSEQUENTLY, AMBASSADOR MADE SIMILAR POINTS INFORMALLY TO CANADIAN MTN COORDINATOR WARREN. WARREN ACKNOWLEDGED GOC ACTION ON FRUITS AND VEGETABLES COULD PLACE IMPORTANT CONSTRAINT ON MTN NEGOTIATIONS BUT SOUGHT TO JUSTIFY

ACTION AS NO MORE THAN RESTORATION OF ERODED PROTECTION AND ASSERTED U.S. WOULD LIKELY TAKE SIMILAR ACTION.(EMBASSY UNAWARE OF ANY U.S. INTENTION TO SHIFT FROM SPECIFIC TO AD VALOREM RATES ON AGRICULTURAL PRODUCTS BUT WOULD APPRECIATE BEING INFORMED IF THIS IS THE CASE).

5. COMMENT: GOC IS MAINTAINING ITS POSITION BUT ISSUES HAVE NOW BEEN DRAWN TO MINISTERIAL ATTENTION. AS MP FROM ALBERTA, HORNER TOOK POINT CONCERNING POSSIBLE IMPACT ON OVERALL AGRICULTURAL TRADE AND ON GAS DEAL -- BUT HE MADE NO PROMISES. PROFESSIONALS, SUCH AS LATIMER, SEEM TO BELIEVE TIME IS RIGHT TO RESTORE LEVEL OF PROTECTION AND THAT BY FOLDING PART OF EXERCISE INTO MTN AND OFFERING

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COME-00 DODE-00 FRB-03 H-01 INR-10 INT-05 L-03  
LAB-04 NSAE-00 NSC-05 PA-01 CTME-00 AID-05 SS-15  
STR-07 ITC-01 TRSE-00 ICA-11 SP-02 SOE-02 OMB-01  
DOE-15 /126 W

-----041291 012237Z /12

R 012139Z JUN 78  
FM AMEMBASSY OTTAWA  
TO SECSTATE WASHDC 7582  
INFO USMISSION GENEVA

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TARIFF REDUCTIONS UNLIKELY TO AFFECT VOLUME OF TRADE,  
CANADA CAN DO SO AT MINIMUM COST. ENDERS

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## Message Attributes

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**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** FRUITS, VEGETABLES, MEETINGS, FOREIGN TRADE  
**Control Number:** n/a  
**Copy:** SINGLE  
**Draft Date:** 01 jun 1978  
**Decaption Date:** 01 jan 1960  
**Decaption Note:**  
**Disposition Action:** RELEASED  
**Disposition Approved on Date:**  
**Disposition Case Number:** n/a  
**Disposition Comment:** 25 YEAR REVIEW  
**Disposition Date:** 20 Mar 2014  
**Disposition Event:**  
**Disposition History:** n/a  
**Disposition Reason:**  
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**Document Unique ID:** 00  
**Drafter:** n/a  
**Enclosure:** n/a  
**Executive Order:** N/A  
**Errors:** N/A  
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**Litigation History:**  
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**Original Handling Restrictions:** n/a  
**Original Previous Classification:** n/a  
**Original Previous Handling Restrictions:** n/a  
**Page Count:** 3  
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**Previous Handling Restrictions:** n/a  
**Reference:** 78 STATE 113819, 78 OTTAWA 2406, 78 STATE 135393  
**Retention:** 0  
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**Review Event:**  
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**Review Transfer Date:**  
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**TAGS:** EAGR, ETRD, CA  
**To:** STATE  
**Type:** TE  
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**Review Markings:**  
Sheryl P. Walter  
Declassified/Released  
US Department of State  
EO Systematic Review  
20 Mar 2014  
**Markings:** Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014